

ADMINISTRATIVE - INTERNAL USE ONLY

20 JAN 1975

MEMORANDUM FOR: Deputy Director for Administration

THROUGH : Chief, Plans Staff, DD/A

SUBJECT : DCI Winter Conference with Deputy Directors

REFERENCES : a. Memo dtd 23 Oct 74 to C/PS/DDA fm D/L,
subject: Reduction of Operating Costs
and Costing of Services

b. Memo dtd 24 Dec 74 to DD/A fm D/L,
subject: Costing Methodology--Supply
Division, OL

1. This memorandum is for information only.

2. The following is provided to assist you in the preparation of your verbal report to the conference group on the subjects of cost reduction measures, anti-inflation measures, and systems for allocating costs. We find it difficult, in some instances, to make a clear distinction between a cost reduction measure and an anti-inflation measure since they are so closely related. This is particularly true in the cases of paper products and petroleum-related products which, as you will note, are receiving the greatest amount of attention. You will note, also, that some of the measures being practiced or suggested might appear to be rather inconsequential at first glance but, if practiced Agency-wide, could result in considerable savings in operating costs.

a. <u>COST REDUCTION MEASURES</u>	<u>REMARKS</u>
(1) Use of handwritten (on both sides of the page) instead of typewritten drafts for supervisory approvals, editing, etc.	Paper savings and, perhaps more importantly, savings in clerical typing time. Dollar savings unmeasurable.
(2) Reduce the production and distribution of copies of employee notices and bulletins.	OL has already reduced the number of copies of "All Employee" notices and bulletins by 300 copies.
(3) Reduction in the supply and operating costs of office copiers.	A continuing joint effort between OL/PSD and ISAS/RAB to ensure proper selection, operation, and management of officer copiers.

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OL 5:0197

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Certain types of equipment are being downgraded to avoid excessive rental costs. During the past 6 months, 17 major pieces of copying equipment have been retired or downgraded. As of October 1974, savings approximate \$25,000.

(4) Preparation of a document cross-reference register by using a specially programmed flexowriter.

To provide OF with a cross-reference between internal Agency document identifiers and those numbers used on MILSTRIP/FEDSTRIP requisitions and billings, OL/SD used to prepare a manual cross-reference register. By utilizing a specially programmed flexowriter operating in tandem with the flexowriter used to produce the MILSTRIP/FEDSTRIP documents, the register is now produced automatically. Estimated annual savings in manpower costs are estimated to be approximately \$5200.

(5) Reduction in the distribution of requisition copies.

Distribution of reproduced copies of customer requisitions has been reduced from an average of 21 to an average of 12.5. Savings in manpower and paper are estimated to be over \$1000 per year.

(6) Cost avoidance through the use of roll paper instead of cut sheets.

OL/PSD has acquired press equipment which permits the use of roll paper [redacted] This results in a 25 percent cost avoidance which is expected to amount to approximately \$73,000 annually.

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(7) Reduction in subscriptions to newspapers and periodicals.

Currently underway in OL but should have an Agency-wide application.

(8) Savings in printing ink costs resulting from purchases in larger containers.

Negotiations with the vendor have been started. A potential savings of \$1200 annually.

(9) Reduction in publication costs through the use of less expensive stock for publication covers.

Under review.

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(10) Reduction in water usage and water heating costs through the use of automatically controlled cut-off valves on laboratory processing equipment.

Under review. Substantial savings are anticipated and can be measured after a period of operation.

(11) Salvage and reclamation of leftover printing press inks.

In process of testing procedures to reclaim inks which are traditionally flushed down the drain with solvents or disposed of in trash. In addition to potential cost reductions, this would represent an anti-pollution measure as well.

(12) Monitor use of Penalty Indicia postage on outgoing mail.

More customer education, at all levels, is required to reduce postage costs.

b. ANTI-INFLATION MEASURES

REMARKS

(1) Reduce fuel oil consumption in the Headquarters complex.

In cooperation with GSA, fuel oil consumption in FY 1974 was 29 percent below that of FY 1973. The new Headquarters Garage and the 500-ton chiller will have an upward effect on consumption, but the conservation measures will continue in effect to the extent possible.

(2) Reduce power consumption in the Headquarters complex.

In cooperation with GSA, power consumption in FY 1974 was 16.4 percent below that of FY 1973. OL/RECD and GSA will continue to operate the Headquarters complex at this reduced level and will attempt to identify even more ways to reduce power consumption.

(3) Paper conservation and reduction in the cost of computer printout through the use of Computer Output Microfilm (COM).

A combined effort of OL/PSD and ISAS has resulted in a steady increase in the utilization of this microfilm. Utilization of COM reduces paper usage, reduces storage requirements, and increases information handling efficiency. Latest information shows that approximately 20 million pages

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per year are imaged via COM at a cost of \$10,400 for film. Had these pages been produced on computer line printers the paper cost would have been over \$270,000. Although the operating expenses of COM prevent the cost difference from being a total savings, the savings are expected to approximate \$100,000 annually.

(4) Reduction in the cost of computer hard-copy printing.

The newly acquired XEROX 1200 Computer Output Printer produces printed matter directly from magnetic tape. Since computer hard-copy printout utilizes 11" x 15" paper pages and the 1200 printer uses 8-1/2" x 11" paper, there is an immediate reduction of 40 percent in paper requirements. The paper used in the 1200 process is also \$10 per thousand sheets less than the same amount of computer line printer paper. While operating costs of the XEROX 1200 will offset much of the savings in paper costs, the improved quality of the print, the increased speed of production, and reduction in storage space requirement will add to any tangible savings that are realized. A pilot program is currently being conducted in cooperation with OJCS, so firm costs/savings figures are not available at this time.

(5) Reduction in paper requirements and reduction in the costs of press runs, bindery, dissemination, and document storage through the use of micropublishing.

OL/PSD, with DDI/CRS, has developed and implemented a procedure for the production of Agency finished intelligence publications on microfiche. As the procedure becomes more widely advertised, requests for microfiche in lieu of hard-copy publications are beginning to accumulate. In addition, CRS plans to eliminate a large stock of publications and to

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(6) Reuse of kraft and manila file folders.

provide microfiche for retrospective requests. Dollar savings are not available at this time.

(7) Scratch pads produced from scrap paper left over from OL/PSD printing operations.

Needs to be practiced Agency-wide. A relatively simple measure to implement whether removable labels are used or whether a new label is placed over the top of the old.

(8) Use blank reverse side of obsolete forms and blank side of non-sensitive memoranda for writing or typing drafts.

Both a paper conservation and cost reduction measure. Based upon an average cost of \$3.60 per dozen, scratch pads produced so far represent a savings of approximately \$1024.

(9) Reuse of envelopes and shipping cartons.

Measurement of savings has not been attempted.

(10) Cost reduction and paper conservation through greater use of 2-sided printing.

Measurement of savings has not been attempted.

This procedure is routinely recommended to OL/PSD customers for all possible applications. Exceptions usually require strong justification.

c. COSTING METHODOLOGIES

(1) Reference a. provided a general description of the costing methodologies employed by Logistics Services, Printing Services, Procurement, and Real Estate and Construction Divisions. Reference b. described the costing methodology employed by Supply Division. Each division's system has developed units of cost which can be, but at considerable cost, applied against the primary functions or services of that division and, in turn, can be translated into costs to Agency components using or benefiting from those functions or services. With the exception of the SD system, which utilizes a ratio of division operating costs to the dollar of Property Requisitioning Authority, the systems of the other divisions are based upon man-hour costs for the most part. In the case of LSD, however, there are additional costs which are peculiar to the construction, renovation, and maintenance responsibilities of that division. Costs of some of the more

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common things being done in that regard are rather startling and are provided in Attachment A for your information and that of the other conferees.

(2) For your additional information, we have provided illustrations of how OL systems might work in practice. Attachment B contains total directorate costs of services provided during FY 1974 by each OL division with the exception of LSD. While LSD has a costing methodology, it will not be possible to distribute all of its cost by directorate in time to meet this reporting deadline. Attachment C illustrates how costs might be broken out by component within directorates. It is this type of cost distribution, however, that is very time-consuming and, for that reason, was limited to only one component. LSD alone has spent over 12 man-hours on this project, with approximately 6 hours being used by the other divisions. For that illustration, we chose OS. OS is an established office, which uses all of the OL services, yet it is not so complex as to make it extremely difficult to identify those services which are provided to it. This is in contrast to OJCS where, for example, office moves might be directly related to the accomplishment of Project ORACLE but the costs of certain of those moves would not be properly chargeable to OJCS since they are made for the convenience of OL or some other component. It should be kept in mind that the costs shown for OS are developed as the result of arbitrary costing systems and apply only to the major services covered by such systems.

(3) We have not included Standard Level User Charges in any of the cost computations. If those were charged back to the various directorates, additional directorate costs for FY 1975 would be approximately those shown in Attachment D.

3. In connection with the costing systems, we feel that it would not be cost effective to attempt to identify, any more definitively, those services to be costed or to identify them more precisely with the using component. Even under the present simple arbitrary systems, we estimate that it requires the five divisions approximately 77 man-days per month to administer them. That is the time required to collect the cost data.

4. Using the first step of grade GS-09 as a representative average hourly salary cost (\$6.17), present limited administration of the systems in their simple form costs \$3700 per month or \$44,000 per year. The GS-09 level was used as an average since higher graded professionals are engaged in data collection as part of their daily duties. To distribute costs to each component on a regularly scheduled basis would, of course, increase that administrative time significantly. LSD would require someone practically full time

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to collate and distribute the data that is being collected in the several branches and sections and to prepare the cost report. The other divisions collectively estimate approximately 4 additional man-days per month for drafting and report preparation. It would, of course, depend upon the grade level of personnel engaged in the process, but costs of administering the program could increase by \$10,000 to \$12,000 per year.

5. Questions concerning this memorandum or the references may be directed to [redacted] of our Plans and Programs Staff on extension [redacted].

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/s/ ~~Michael J. Malanick~~

Michael J. Malanick
Director of Logistics

4 Att

cc: C/PS/DDA, w/atts

Distribution:

- Orig & 1 - Addressee, w/atts
- ~~1~~ - OL/P&PS Official, w/atts
- 1 - OL File, w/atts
- 1 - ~~P/L~~ Chrono, w/o atts

OL/P&PS [redacted] (15 Jan 74)

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B 1/16/75

~~ADMINISTRATIVE - INTERNAL USE ONLY~~ATT ACOSTS OF REPRESENTATIVE INSTALLATION,
RENOVATION, AND MAINTENANCE PROJECTS(Material and Labor as of December 1974)

Install Partitioning

Part Height	\$25.00 per linear foot
Full Height	35.00 per linear foot
Masonry Wall	75.00 per linear foot

Remove Partitioning

Part Height	20.00 per linear foot
Full Height	30.00 per linear foot
Masonry Wall	50.00 per linear foot

Cut Opening Into Masonry Wall and Install Doors

Single leaf door	800.00 each
Double leaf door	1000.00 set

Install Floor Outlet

Electrical	35.00 each
Telephone	30.00 each

Capping Floor Outlets	10.00 each
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Conduit Installation (3/4" and 1")	4.00 per linear foot (more for larger sizes)
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Install Simplex Lock/Buzzer	100.00 each
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Install Light Switch	50.00 each
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Painting	2.70 per square yard
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Special Purpose Vault Items

16 gage steel	50.00 per linear foot
Window Grilles	1000.00 each
Plates for Grilles	25.00 each
Alarm System	\$500.00 to \$3000.00 each
"B" Label Door	250.00 each

Drapes	28.50 per linear foot
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Carpet Tiles	15.35 per square yard
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ROUTING AND RECORD SHEET

SUBJECT: (Optional)

DCI Winter Conference with Deputy Directors

FROM:

Director of Logistics

EXTENSION

NO.

DATE

20 JAN 1975

TO: (Officer designation, room number, and building)

DATE

RECEIVED

FORWARDED

OFFICER'S INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

1. Chief, Plans Staff, DD/A

2.

3.

4. Deputy Director for Administration

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13.

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15.

This constitutes our response to the following DD/A requirements:

DD/A 74-3337 (29 Aug 74) on costing methodology

DD/A 74-4294 (4 Nov 74) - Report on Reduction of Daily Operating Costs